

## Message Text

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PAGE 01 NAPLES 00309 271004Z

17

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 SIL-01 L-02 /034 W

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FM AMCONGEN NAPLES IT

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E.O. 11652: N/A

TAGS: ETNV, IT

SUBJECT: CONTINUING DIFFICULTIES OF AMERICAN SUBSIDIARIES IN NAPLES

REF: (A) NAPLES A-6, OF MARCH 20, 19,5. (B) NAPLES 26,; (C) NAPLES

146; (D) NAPLES 098

BEGIN SUMMARY: FOLLOWING MONTH OF RELATIVE CALM, PERIOD MARCH 18-26 MARKED BY STEP-UP OF LABOR AGITATION AT RICHARDSON-MERRELL, TEMPORARY OCCUPATION OF REGIONAL GOVERNMENT OFFICES BY GENERAL INSTRUMENT EMPLOYEES, AND DECISION BY YET ANOTHER U.S. SUBSIDIARY (PITTSBURGH PLATE GLASS) TO PLACE WORKERS ON REDUCED HOURS. END SUMMARY.

1. RICHARDSON-MERRELL (R-M) LOCAL PRESIDENT HERNANDEZ SUCCEEDED IN AVOIDINGDECIDEDLY AWKWARD MARCH 21 TRIPARTITE MEETINGS AT REGIONAL

PAGE 2 RUFLSKA0566 C O N F I D E N T I A L

GOVERNMENT OFFICES (REF B) AND IN REINFORCING UNDERSTANDING WITH REGIONAL ASSESSORE GRIPPO (REF C), BUT AT COST OF RENEWED LABOR AGITATION. STRIKES, ASSEMBLIES, AND PROTEST DEMONSTRATIONS BEGUN BY WORKERS MARCH 21, HAVE VIRTUALLY PARALYZED PRODUCTION TO DATE.

2. MEANWHILE, HERNANOEZ INFORMS THAT FIRM'S U.S. MANAGEMENT INSISTING THAT HE FOLLOW PRECARIOUS TWO-TRACK STRATEGY IN ATTEMPT RESOLVE SUBSIDIARY'S DIFFICULTIES. ON ONE HAND, HERNANDEZ IS PURSUING EFFORT TO SELL SUBSIDIARY TO ITALIAN GOV'T. ENTITY AND IS

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PAGE 02 NAPLES 00309 271004Z

NOW PREPARING SUPPORTING DATA REQUESTED BY POTENTIAL PURCHASER.

PACKAGE OFFERED, HE HAS NOTD, IS NOT ATTRACTIVE, BECAUSE LINE OF MERRELL PHARMACEUTICAL PRODUCTS NOT INCLUDED. THEREFORE, POLITICAL ELEMENT IS KEY AND HE IS ATTEMPTING TO PUSH SALE NOW, WHEN CHRISTIAN DEMOCRATIC CONCERN RE LOCAL ECONOMIC CRISIS AT HEIGHT (REF A), AND POLITICAL PRESSURES ON PROSPECTIVE PURCHASER CAN BE MAXIMIZED. HOWEVER, ACCORDING HERNANDEZ, R-M'S EXECUTIVE VICE PRESIDENT (EUGENE B. GORIGIN) HAS LITTLE CONFIDENCE NEGOTIATIONS FOR FIRM'S SALE WILL SUCCEED. THEREFORE, HE HAS ORDERED HERNANDEZ TO EMPHASIZ: SECOND STRATEGY AND TO TAKE STEPS TO PREPARE COMPAN; TO FIRE 400 WORKERS IN AUGUST AND TO WITHSTAND PROLONGED OCCUPATION OF FACTORY, ALMOST CERTAIN IF DISMISSAL PLAN IS EFFECTED. HERNANDEZ BELIEVES TAKING

PAGE 3 RUFLSKA0566 C O N F I D E N T I A L

OF REQUIRED STEPS (SELLING OF INVENTORY IN BULK, GENERATING CASH, MOVING OUT STOCK, ETC.) CAN ONLY DIMINISH CHANCES OF SALE (BY EXPOSING ALL OF R-M'S WEAKNESSES) AND HEIGHTEN CHANCES OF EARLY PLANT OCCUPATION (BECAUSE STEPS ARE ALREADY AROUSING WORKERS' SUSPICIONS). AT PRESENT, HE SEES LABOR UNREST IN FACTORY TO BE SUCH THAT, UNLESS SALE NEGOTIATIONS MOVE RAPIDLY, OCCUPATION -- AND COMPANY COUNTERACTION OF IMMEDIATE FIRINGS -- DIFFICULT TO FORESTALL BEYOND MAY 1.

3. GENERAL INSTRUMENT (GI) SITUATION REMAINS DEADLOCKED, WITH WORKERS CONTINUING OCCUPATION OF PLANT. SERIES OF MEETINGS BETWEEN MANAGEMENT

UNIONS, FACTORY COUNCIL, AND GOV'T. AUTHORITIES, HELD IN ROME UNOER AUSPICES LABOR UNDER-SECRETARY BOSCO, MARCH 17, GENERALLY ACRIMONIOUS AND UNPRODUCTIVE. MANAGEMENT REMAINS UNWILLING CONSIDER ANY SOLUTION NOT PROVIDING FOR DISMISSAL OF 314 EMPLOYEES. WORKERS, ADAMANT IN REJECTING DISMISSALS, ARE PRESSING FOR GOI INTERVENTION TO TAKE OVER PLANT, AND ARE CONTINUING DRAMATIC ACTIONS (OCCUPYING SOLUTION NOT PROVIDING FOR DISMISSAL OF 341 EMPLOYEES. WORKERS, POLIC, MARCH 24.) PRIOR TO OCCUPATION OF REGIONAL OFFICES, SOM FROM FACTORY COUNCIL WAS RECEI;ED BY COMMERCIAL OFFICER.

4. OTHER EVENTS DURING PERIOD INCLUDED: (A) DEPARTURE OF SPERRY SUD

PAGE 4 RUFLSKA0566 C O N F I D E N T I A L

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PAGE 03 NAPLES 00309 271004Z

MANAGER ROSSI FOR VISIT TO US HEAD OFFICE, HOPING TO OBTAIN APPROVAL OF DEFINITIVE PROGRAM FOR PRODUCTION OF NEW PRODUCT, PRIOR TO NEXT MEETING WITH UNIONS, APRIL 10 (REF B); (B) INITIATION OF NEGOTIATIONS WITH UNIONS BY PENNITALIA (PITTSBURGH PLATE GLASS SUBSIDIARY - SALERNO), TO PLACE 700 WORKERS ON REDUCED HOURS ON ROTATING BASIS FOR THREE MONTHS, IN ORDER TO REDUCE PRODUCTION BY ONE-THIRD; AND, (C) CONTINUED DISCUSSIONS BY 3M MANAGEMENT OF EXTENT AND TIMING OF SIMILAR STEP FOR CASERTA PLANTS.

5. COMMENT: GENERAL INSTRUMENT SITUATION REMAINS CAUSE OF CONCERN, AND DRAMATIC ACTION BY PCI MAYOR OF GIUGLIANO TO REQUISITION FACTORY (REF D) CANNOT BE RULED OUT. CUMULATIVE LOCAL IMPACT OF AMERICAN SUBSIDIARY DIFFICULTIES COULD BE SUBSTANTIALLY INCREASED, HOWEVER, IN EVENT OF FAILURE OF BALANCING ACT BY R-M'S HERNANDEZ. HE IS HIGHLY COMPETENT EXECUTIVE, SENSITIVE TO LOCAL ENVIRONMENT AND WORKERS' CONCERNS, BUT IS WORKING AGAINST HEAVY ODDS (LIMITED TIME, FEW EFFECTIVE COLLABORATORS, AND LUKEWARM SUPPORT FROM HIS OWN CONTACTS IN ROME, WEEK OF APRIL 7-11, WITH STATE PARTICIPATION MINISTER BISAGLIA AND, POSSIBLY, MINISTER FOR THE MEZZOGIORNO ANDRIOTTI. SUCCESSFUL SALE OF FIRM NOW APPEARS HEAVILY DEPENDENT

PAGE 5 RUFLSKA0566 C O N F I D E N T I A L

ON SUCCESS OF THESE CONTACTS, AND POLITICAL PRESSURES GENERATED THEREFROM ON PROSPECTIVE ITALIAN GOV'T BUYER. HOROWITZ

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## Message Attributes

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